

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on Policies and Practices for Advanced Metering, Demand Response, and Dynamic Pricing.

Rulemaking 02-06-001
(Filed June 6, 2002)

**ASSIGNED COMMISSIONER
AND ADMINISTRATIVE LAW JUDGE'S RULING
ON THE BUDGET FOR THE STATEWIDE PRICING PILOT,
ADVANCED DEMAND RESPONSE SYSTEM,
AND INFORMATION DISPLAY PILOT**

Summary

This ruling authorizes a Statewide Pricing Pilot (SPP), Advanced Demand Response System (ADRS) and Information Display Pilot (IDP) budget within the \$2.952 million carryover funds available, identifies activities that should be deferred until the Commission issues a decision on a supplemental budget, and rejects funding for certain activities.

Background

On February 11, 2005, Southern California Edison Company filed, on behalf of itself, Pacific Gas and Electric Company, and San Diego Gas & Electric Company, a proposed 2005 budget for continuation of the Statewide Pricing Pilot. The utilities were directed, by ruling on October 29, 2004 (Ruling), to continue to offer the tariffs and programs under the SPP to existing customers. The Ruling adopted a budget of \$862,000 and specified certain additional activities related to the SPP for the utilities to pursue.

The February 11, 2005 filing requests a budget of \$4.4 million, instead of the authorized \$862,000 to continue offering the tariffs and programs, to perform the additional activities required by the Ruling, and to perform additional optional activities. Of the \$4.4 million, the utilities propose that \$2.872 million in 2003-2004 carryover funds be utilized, with an incremental budget of \$1.490 million. The utilities also identify that there are \$1.4 million in committed funds for 2004 projects that are underway but not yet complete or whose invoices have not yet been paid. \$1.365 million of the 2005 budget is to operate and maintain the existing SPP, ADRS, and IDP programs. The remaining \$2.735 million of the proposed 2005 budget is for new activities in response to the Ruling and additional research options that the utilities propose as optional activities. An additional \$247,000 is for decommissioning.

Because the Ruling authorized expenditures for continuation of the SPP within the carryover budget for 2003/2004 authorized SPP expenditures, no Commission decision was required to implement that direction. In their February 11, 2005 filing, the utilities request funds in excess of the carryover funding available. Therefore, in order to consider funding additional optional activities above and beyond the available carryover funds, the assigned ALJ will need to prepare a draft decision for the Commission's consideration. Therefore, this ruling authorizes a budget within the carryover funds available, identifies activities that should be deferred until the Commission issues a decision on a supplemental budget, and rejects certain activities.

Discussion

After reviewing the proposed activities in the February 11, 2005 filing, we have prioritized activities for funding as follows:

1. \$1.172 million to provide technical and billing support for the 1000 + customers that have continued on either time of use,

CPP-V or CPP-F tariffs in the SPP pilot. This funding level reflects reduced project management and customer enrollment and support to reflect deferral and elimination of certain activities.

2. \$179,000 for enabling technology project management and enabling technology costs at a level that reflects continuation of the program and fulfillment of customer commitments but deferral of potential research/analysis activities until a subsequent Commission decision.¹
3. \$338,000 to continue the ADRS pilot at a level that reflects continuation of the program but deferral of potential research/analysis activities until a subsequent Commission decision.²
4. Funding of \$1.294 million for new activities related to the SPP and IDP
 - a. \$365,000 for program management for new activities.
 - b. \$104,000 for customer enrollment, marketing and support, and billing for new activities.
 - c. \$461,000 for meter purchase and installation costs to support new activities made up of:
 - i. \$86,000 to complete the analysis of CPP-V rates for small commercial customers (LT20 and GT20) for the summer of 2005 to ensure that all customers have

¹ Deferred activities include completion of the final technology report and enabling technology market research.

² Deferred activities include a load impact analysis, a persistence analysis, a customer satisfaction and willingness to pay study, and a load impacts methodology study. The filing originally reflected this funding in the 2005 additional activities, rather than in the ongoing costs column. Because the funding we authorize reflects completion of the ongoing program and no additional activities, the table in this ruling reflects this figure in the ongoing column.

enabling technologies in place for at least one summer of CPP price signals.

- ii. \$375,000 to expand the number of customers in the residential information display pilots to include sufficient sample size to estimate the incremental impact of the web-based monthly impact information treatment (relative to the price signals given to the core SPP treatment groups).
- d. \$325,000 for pilot design and pilot/program design analysis made up of:
 - i. \$50,000 to complete the newly proposed customer retention study analyzing why customers chose to opt-out.
 - ii. \$150,000 to estimate the persistence of load impacts in response to CPP-F prices in the residential and small commercial samples (over the three year pilot period) including summer 2005.
 - iii. \$100,000 to continue the load impact analysis for Track 1 CPP-V.
 - iv. \$25,000 for focus groups or evaluation for Track B participants to assess how people perceived new rates and expanded information treatments in 2004 and what steps they took to reduce usage during CPP signals.
- 5. \$31,000 in decommissioning costs.

In response to the Administrative Law Judge's (ALJ) direction, Energy Division and the California Energy Commission (CEC) reviewed detailed budget information describing the elements that make up the total budget request in the filing. In order to stay within the available carryover funding, we have decided to defer or terminate certain activities. For example, the Ruling required the utilities to offer the voluntary rates until December 31, 2006, therefore no additional decommissioning funds should be required for 2005, beyond the

barebones budget we have adopted in the event that customers opt out. This represents a cost savings of \$216,000.

The Ruling also called for the completion of a new analysis of price elasticity and load impacts for at least three building types in the small commercial sector. We have since learned that the results of the prior analysis had a sufficient sample size to be statistically significant therefore additional analysis is not necessary to meet our objective of a statistically valid result. Therefore, this work should not be performed, saving about \$120,000 from reduced meter purchases, operations and maintenance, and analysis costs.

In addition, we conclude that the load impact research proposed for the SF Co-op Track B pilot should be discontinued. There was very little load impact identified in studies to date, making the value of additional load impact analysis unclear. Eliminating this analysis will reduce costs by approximately \$75,000. However, we propose instead to fund additional research (at a cost of \$25,000 as described above) to determine the differences in customer perceptions and actions taken in response to price and information treatments in San Francisco versus perceptions and actions from the control group in Richmond. This research will study, for example, how people perceived new rates and expanded information treatment in 2004 and what they did do to reduce usage.

In addition, the filing included \$80,000 in costs for the self selection bias study as part of the \$1.4 million allocated for payment in 2005 for projects initiated in 2004. Based on the information provided, the study has not yet begun and the funds allocated to it should be moved into the 2003/2004 carryover allocation that is available to the 2005 budget. This change increases the available carryover funds to \$2.952 million.

Thus, we authorize \$1.470 million in ongoing costs, \$1.394 million in additional activities, and \$0.31 million in decommissioning costs, a total of \$2.895 million for 2005. Table 1 below summarizes the 2003/2004 program expenditures. Table 2 provides a summary of the adopted budget.

Table 1: 2003-2004 Summary

Cost Category	CPUC WG3 SPP 2003/2004 Budget Allocation (1)	Expenditures Recorded in 2003 (2)	Expenditures Recorded in 2004 (3)	Expenditures for Work Initiated or Planned in 2004 to Be Completed in 2005 (not yet invoiced or paid) (4)	2003 / 2004 Estimated Expenses (5)
SPP & IDP					
Program Management	\$1,115	\$314	\$477	\$0	\$791
Customer Enrollment, Support (Info Sys/CPP Notification) & Marketing	\$3,368	\$1,319	\$843	\$24	\$2,186
Meter Purchase and Installation; Technology Treatments, and Maintenance	\$5,181	\$3,574	\$245	\$76	\$3,895
Billing; Data Collection and VEE; and Data Framing (Rates)	\$3,438	\$1,694	\$1,243	\$15	\$2,952
Customer Research	\$1,220	\$182	\$793	\$210	\$1,185
Pilot Design & Pilot/Program Analysis	\$2,244	\$1,050	\$1,496	\$646	\$3,192
SPP & IDP Subtotal	\$16,566	\$8,132	\$5,097	\$971	\$14,201
Incentives/Appreciation Bonus	\$672	\$220	\$321	\$0	\$542
SPP & IDP Subtotal	\$17,238	\$8,353	\$5,418	\$971	\$14,742
Enabling Technology					
Program Management	\$983	\$166	\$248	\$108	\$522
Customer Enrollment, Support (Info Sys/CPP Notification) & Marketing	\$0	\$0	\$0	\$0	\$0
Meter Purchase and Installation; and Technology Treatments	\$0	\$0	\$0	\$0	\$0
Billing; Data Collection and VEE; and Data Framing (Rates)	\$0	\$0	\$0	\$0	\$0

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Customer Research	\$0	\$0	\$0	\$0	\$0
Pilot Design & Pilot/Program Analysis	\$0	\$0	\$0	\$0	\$0
Enabling Technology Subtotal	\$983	\$166	\$248	\$108	\$522
ADRS					
Program Management	\$1,001	\$5	\$422	\$240	\$666
Customer Enrollment, Support (Info Sys/CPP Notification) & Marketing	\$0	\$0	\$0	\$0	\$0
Meter Purchase and Installation; and Technology Treatments	\$0	\$0	\$29	\$0	\$29
Billing; Data Collection and VEE; and Data Framing (Rates)	\$0	\$0	\$64	\$0	\$64
Customer Research	\$0	\$0	\$247	\$0	\$247
Pilot Design & Pilot/Program Analysis	\$0	\$0	\$0	\$0	\$0
ADRS Subtotal	\$1,001	\$5	\$762	\$240	\$1,006
Program Total	\$19,222	\$8,523	\$6,428	\$1,319	\$16,270

Key Shaded boxes reflect changes to utility request to reflect projects approved in this ruling.
Unshaded boxes are the same as requested by the utility.

Table 2: Adopted 2005 Budget

	Cost Category	Estimated Remaining Funds from 2003 / 2004 Budget Allocation (6)	2005 SPP Ongoing Costs to Support CPP Rates (7)	2005 Additional Activities (8)	2005 Decommissioning Budget (9)	Total 2005 Budget Adopted (10)	Net 2005 Budget (less Carryover Funds)
1	SPP & IDP						
2	Program Management	\$324	\$321	\$365	\$4	\$690	\$366
3	Customer Enrollment, Support (Info Sys/CPP Notification) & Marketing	\$1,182	\$218	\$102	\$0	\$320	(\$862)
4	Meter Purchase and Installation; Technology Treatments, and Maintenance	\$1,286	\$123	\$461	\$25	\$609	(\$678)
5	Billing; Data Collection and VEE; and Data Framing (Rates)	\$486	\$510	\$2	\$2	\$514	\$28
6	Customer Research	\$35	\$0	\$0	\$0	\$0	(\$35)
7	Pilot Design & Pilot/Program Analysis	(\$948)	\$0	\$325	\$0	\$325	\$1,273
8	SPP & IDP Subtotal	\$2,365	\$1,172	\$1,255	\$31	\$2,458	\$93
9							
10	Incentives/Appreciation Bonus	\$130	\$0	\$0	\$0	\$0	(\$130)
11							
12	SPP & IDP Subtotal	\$2,495	\$1,172	\$1,255	\$31	\$2,458	(\$37)
13							
14	Enabling Technology						
15	Program Management	\$461	\$40	\$39	\$0	\$79	(\$382)
16	Customer Enrollment, Support (Info Sys/CPP Notification) & Marketing	\$0	\$0	\$0	\$0	\$0	\$0
17	Meter Purchase and Installation; and Technology Treatments	\$0	\$0	\$100	\$0	\$100	\$100
18	Billing; Data Collection and VEE; and Data Framing (Rates)	\$0	\$0	\$0	\$0	\$0	\$0
19	Customer Research	\$0	\$0	\$0	\$0	\$0	\$0

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	Cost Category	Estimated Remaining Funds from 2003 / 2004 Budget Allocation (6)	2005 SPP Ongoing Costs to Support CPP Rates (7)	2005 Additional Activities (8)	2005 Decommissioning Budget (9)	Total 2005 Budget Adopted (10)	Net 2005 Budget (less Carryover Funds)
20	Pilot Design & Pilot/Program Analysis	\$0	\$0	\$0	\$0	\$0	\$0
21	Enabling Technology Subtotal	\$461	\$40	\$139	\$0	\$179	(\$282)
23	ADRS						
24	Program Management	\$335	\$338	\$0	\$0	\$338	\$3
25	Customer Enrollment, Support (Info Sys/CPP Notification) & Marketing	\$0	\$0	\$0	\$0	\$0	\$0
26	Meter Purchase and Installation; and Technology Treatments	(\$29)	\$0	\$0	\$0	\$0	\$29
27	Billing; Data Collection and VEE; and Data Framing (Rates)	(\$64)	\$0	\$0	\$0	\$0	\$64
28	Customer Research	(\$247)	\$0	\$0	\$0	\$0	\$247
29	Pilot Design & Pilot/Program Analysis	\$0	\$0	\$0	\$0	\$0	\$0
30	ADRS Subtotal	(\$5)	\$338	\$0	\$0	\$338	\$343
31							
32	Program Total	\$2,952	\$1,470	\$1,394	\$31	\$2,895	(\$57)

Key Shaded boxes reflect changes to utility request to reflect projects approved in this ruling.
Unshaded boxes are the same as requested by the utility.

We believe the following projects have merit, but lower priority, or could be accomplished through coordinated research with the Demand Response Research Center. We will prepare a subsequent decision for the Commission to consider whether to authorize incremental funding for these activities:

1. \$157,500 for evaluations of the ADRS, specifically load impact evaluations for Summer 2004 and 2005 and the persistence of impacts from 2004 to 2005.
2. \$141,600 for evaluations of customer satisfaction and willingness to pay for ADRS.
3. \$29,000 for assessment of in home displays offered as part of the Enabling Technologies program.
4. \$100,000 for hourly impact modeling estimates for Summer 2004.
5. \$25,000 to evaluate alternative load impact methodologies for ADRS.
6. \$50,000 to survey of customers who remained on CPP to determine driving factors for decision to remain on rate.
7. \$109,000 to expand the number of customers on the commercial information treatment (Energy Orbs) and coordinate research with the Demand Response Research Center.
8. \$175,000 to complete Enabling Technologies research, including additional contract funds.
9. \$140,000 in related management and marketing costs related to the above projects.

Until such time as the Commission resolves whether an incremental budget is approved or additional carryover funds become available, the utilities shall not engage in any of the activities listed above. To the extent that

additional carryover funding becomes available, the above activities should be pursued in the priority order listed above.

Therefore, **it is RULED** that:

1. The budget amounts identified in Columns 7, 8, and 9 of Table 2 are adopted for continuing, additional, and decommissioning activities for the 2005 SPP, ADRS, IDP, and Enabling Technologies programs.
2. Until such time as the Commission resolves whether an incremental budget is approved or additional carryover funds become available, the utilities shall not engage in any of the deferred activities listed.
3. To the extent that additional carryover funding becomes available, the deferred activities should be pursued in the priority order listed.
4. The Assigned ALJ will prepare a draft decision for Commission consideration regarding an incremental budget for the activities identified as having lower priorities.

Dated April 18, 2005, at San Francisco, California.

/s/ MICHAEL R. PEEVEY

Michael R. Peevey
Assigned Commissioner

/s/ MICHELLE COOKE

Michelle Cooke
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have this day served the attached Assigned Commissioner and Administrative Law Judge's Ruling on the Budget for the Statewide Pricing Pilot, Advanced Demand Response System, and Information Display Pilot on all parties of record in this proceeding or their attorneys of record by electronic mail to those who provided electronic mail addresses, and by U.S. mail to those who did not provide e-mail addresses.

Dated April 18, 2005, at San Francisco, California.

/s/ ELIZABETH LEWIS
Elizabeth Lewis

N O T I C E

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